

**9/14/78**

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 9/14/78;  
Container 91

To See Complete Finding Aid:

[http://www.jimmycarterlibrary.gov/library/findingaids/Staff\\_Secretary.pdf](http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf)

# WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
<del>Memo</del>	<del>Frank Moore to Pres. Carter, w/attachments</del> <del>11 pp., re: Weekly Legislative Rpt.</del> <i>open 10/4/96</i>	<del>9/9/78</del>	<del>A</del>

## FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File, 9/14/78 Box 101

## RESTRICTION CODES

- (A) Closed by Executive Order 12356 governing access to national security information.
- (B) Closed by statute or by the agency which originated the document.
- (C) Closed in accordance with restrictions contained in the donor's deed of gift.

THE WHITE HOUSE  
WASHINGTON

September 14, 1978

Frank Moore

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson  
cc: The Vice President  
Hamilton Jordan  
Stu Eizenstat  
Jack Watson

~~CONFIDENTIAL~~ ATTACHMENT

"DETERMINED TO BE AN ADMINISTRATIVE MARKING  
CANCELLED PER E.O. 12356, SEC. 1.3 AND  
ARCHIVIST'S MEMO OF MARCH 16, 1983"

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION

*return  
only to me  
to read*

ACTION  
FYI

ADMIN CONFIDENTIAL
CONFIDENTIAL
SECRET
EYES ONLY

✓	VICE PRESIDENT
✓	JORDAN
✓	EIZENSTAT
	KRAFT
	LIPSHUTZ
✓	MOORE
	POWELL
	RAFSHOON
✓	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARAGON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	LINDER
	MARTIN
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	VOORDE
	WARREN
	WISE

THE WHITE HOUSE  
WASHINGTON

September 9, 1978

*Frank:  
Include  
Alaska Lands  
J*

~~CONFIDENTIAL~~

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE  
SUBJECT: Weekly Legislative Report

DOMESTIC POLICY ISSUES

1. NATIONAL ENERGY ACT

--Natural Gas Pricing: Senator Byrd has not extracted a time agreement from the gas bill's opponents, but plans to call the measure up anyway on Monday with an eye toward a vote on a motion to recommit on Wednesday. He appears confident of beating a motion to table (and thus kill) the conference report.

--We have succeeded in turning around scores of companies and interest groups; our work seems to be paying off. Commitments are hard to come by, but we are making progress while the other side appears to be slipping a bit. Our primary problem is the Senate floor itself where Metzenbaum and his allies are much more zealous in buttonholing and lobbying Senators than are our supporters. The notable exception to this is Senator Byrd who as of Thursday had spoken with 61 Senators personally.

--In a separate memo we will give you our vote counts. We will continue our efforts both on and off the Hill.

2. REORGANIZATION

--The Civil Service Reform bill was on the floor Thursday evening for about an hour and a half.

--Clay, in concert with Charles Wilson of California and Biaggi, managed to tie-up the proceedings but Lloyd Meeds did succeed on points of order on the Hatch and Firefighters titles. The two titles are now deleted.

--The Speaker gave Udall a choice of continuing with the bill all day Friday with a firm adjournment at 3:00 p.m. or holding the bill over until Monday and keeping it on the floor until passed. Udall decided to wait until Monday.

--Late on Friday it appeared that a solid agreement on the labor title had been reached by Udall, Ford, Clay, Derwinski, the AFL-CIO and the Administration. Gilman also has agreed to reduce the number of amendments he will introduce from 43 to 3.

--Clay still is not satisfied on the Hatch Act issue and may continue to cause problems. The hope is that sufficient peer pressure will be brought to bear on Clay on this pre-primary Monday to cause him to give up on his delay tactics. Many Members will want to wind up business early so as to get home for election day. Hopefully they can persuade Clay where we have failed.

--At your direction we have stepped up our efforts on Veterans preference and are relatively confident of success. We will provide you with a count midday on Monday.

--Education: Floor consideration of the Department of Education bill in the Senate is currently stalled as the result of a "hold" on the bill by Senator Helms. Senator Baker has indicated a willingness to talk to Senator Helms. Senator Ribicoff and the Majority Leader's staff are optimistic that it can be brought up within two weeks. Senator Ribicoff is exploring a possible compromise with Senators Percy and McGovern regarding transfer of the USDA Nutrition Education Program (\$27 million). We anticipate that Senator Stevens will introduce an amendment to strike the transfer of the Indian education programs. As long as Senator Abourezk continues to support our position, we expect to defeat Senator Stevens' amendment -- though the vote may be close. The only other area where major amendments are likely is a group of anti-busing, anti-quota amendments from Senators Roth and/or McClure. It is unclear if these will be offered; we expect to be able to defeat them in any event.

--ERISA: House and Senate committees expect to complete hearings on the ERISA plan next week. The plan remains largely non-controversial. We do not anticipate difficulty in obtaining approval before the end of the session. Because the plan was submitted within 60 days of the end of the session, an affirmative vote of both Houses will be required to put the plan into effect.

--Emergency Preparedness: Both House and Senate committees have reported the emergency preparedness plan. The plan will become effective on September 17.

3. URBAN POLICY

--Labor Intensive Public Works: On Monday the Senate and House Budget conferees will determine whether the Second Concurrent Budget Resolution will contain the \$1 billion authorization for LIPW. If it does, the Senate Subcommittee and the House Committee will mark up the bills this week. Succeeding in the budget should lead to a House bill having a healthy vote margin but without the labor intensity and targeting provisions of the Administration bill and probably with a \$2 billion authorization.

--A Senate bill would be much closer to the Administration proposal.

--Supplementary Fiscal Assistance: During the past week Treasury contacted about 250 House offices. Each was called and sent a data package and fact sheet explaining the legislation and the amount of assistance each Congressional district would receive under the bill.

--The National Mayors' Conference has been contacting mayors urging them to speak to House and Senate members from their respective districts and states about this legislation.

--On Thursday, the Senate Finance Committee reported out a budget waiver for this program. We are still awaiting a decision from the Senate Leadership on scheduling floor action.

NOTE: Both a public works bill and a fiscal assistance bill are on the Speaker's list of must legislation for Rules Committee action before adjournment.

4. CETA

--The House is expected to resume its consideration of the CETA bill late in the day on Wednesday. The bill managers are working to hold off any additional amendments, particularly any further cuts in the authorized level of public service jobs.

--DOL is uncertain about the number of amendments likely to be offered. It is hoped the Republicans will attempt to compromise with the Committee before they go to the floor.

--DOL is showing individual Members how much they have already cut in their own districts in an effort to dissuade them from supporting any more cuts.

5. BEEF IMPORTS

--The House Rules Committee voted an open rule allowing for one hour of general debate. The bill could come up this week.

--We are likely to be supporting amendments providing for a yearly import floor of 1.3 billion pounds and removing restrictions on Presidential authority to suspend meat import quotas.

6. AVIATION

--The airline noise bill is on the House calendar for Monday with probable consideration on Tuesday. Congressman Vanik will lead a strong fight against the bill. The deregulation bill is on the Thursday calendar. We are optimistic.

7. SURFACE TRANSPORTATION

--Secretary Adams will send a letter to Members outlining our problems with the bill -- House consideration is expected late this week.

--Congressman Giaimo has indicated interest in offering an amendment similar to the Gibbons/Conable approach. He is testing the waters before making a final decision. His staff has indicated he will not offer an amendment to cut the funding levels from specific highway programs.

--Senate consideration of the transit title will probably be postponed until at least September 20 because Senator Brooke will not be back in Washington until after the Massachusetts primary.

--We still expect Senator Morgan to offer an amendment cutting the four-year authorization by a billion dollars. WH CL, DPS and OMB will be meeting with DOT on Monday to review their efforts to find Members of both Houses who might offer additional amendments to bring the bill closer to your budget.

8. OIL IMPORT FEES (Dole Amendment)

--Our success in defeating the motion to instruct the House Conferees (200-194) to accept the Dole Amendment was a scrambling effort. Much of the credit for success should go to the leadership -- specifically to Jim Wright and also to Toby Moffett and Bill Steiger.

--Representative Steed, Chairman of the House Conferees, has indicated that he supported the effort to defeat the motion to



instruct only in order to prevent embarrassing you, and will now facilitate a second House vote on the issue by returning from the Conference with a motion to disagree.

--Much work is needed on both the House and Senate conferees since many of them based their position on procedure and not on substance.

9.           SAFE BANKING ACT

--The House Rules Committee Wednesday granted an open rule for the Safe Banking bill. It may come up on the House floor as early as September 19. It is anticipated that there will be several amendments to the bill on the floor.

--The House bill places ceilings on borrowing by bank insiders and establishes conflict-of-interest standards for policy-making officials who regulate financial institutions. It also prohibits preferential loan treatment to bank insiders whose institutions have placed funds on deposit in "correspondence accounts" with other banks. In addition, the bill places restrictions on overdrafts by bank officers.

--The Senate bill is considerably more limited in scope than the House bill. The conference could therefore be prolonged and difficult.

10.           FOREIGN INTELLIGENCE SURVEILLANCE ACT

--The House on Thursday moved the electronic surveillance bill through to final passage by a final vote of 246-128, after reconsidering and then defeating the so-called "McClory Amendment" which had been adopted the previous day. This amendment would have limited the warrant requirement provided for in the bill to electronic surveillance cases involving U.S. persons.

--There are three troublesome provisions in the House bill which we hope can be dealt with in conference: 1) the "Ertel Amendment" which provides that warrant requests can be heard in any U.S. District Court having proper venue, rather than the "Special Court" provided in the Senate bill; 2) a requirement that both the Assistant to the President and a Senate-confirmed appointee sign the warrant certification and 3) a statement that the bill is the "exclusive statutory means" by which Presidential authority can be exercised.

11. ENDANGERED SPECIES ACT AMENDMENTS

--The House Subcommittee on Fisheries, Wildlife Conservation and the Environment will meet on Monday to continue action on the bill. Pending, when the Subcommittee last met, were two slightly altered versions of the Senate-passed Culver/Baker Amendment: a weaker Leggett/Bowen approach and a slightly stronger Dingell/Forsythe amendment.

--Interior reports that Chairman Murphy of the full Committee recently instructed Leggett and Dingell to work out a suitable compromise between their two approaches or he would pull the issue up to full Committee.

--Even if the issue moves quickly through Committee consideration in the House, probable heated floor action and a potentially divided Conference threaten to preclude action on the bill at all during the short time remaining in this session. The absence of a bill this session would have dire consequences for the program. It needs reauthorization at this point or all funding will expire on October 1.

--Representatives from the Department of the Interior, Commerce, Council on Environmental Quality, and Environmental Protection Agency met on Friday with DPS to discuss Administration strategy. A letter from Secretaries Kreps and Andrus endorsing the Dingell amendment will go to all subcommittee members.

12. LABOR LAW REFORM

--DOL reports that Senators Williams and Javits are still hopeful a "stripped down" bill could be passed.

13. TAXES

--In two days of mark up last week there was much posturing but no real action. Senator Long appears to be stalling to see how the Conference of the Second Concurrent Budget Resolution comes out. (Conference expected to be completed on Monday.)

14. OCCUPATIONAL SAFETY AND HEALTH ACT (OSHA)

--The conferees met on H.R. 11445 (Small Business Act) but deferred action on the Bartlett amendment until September 12. That amendment, which would exempt 69% of all employers now covered by the Act, is strongly opposed by the Administration, the AFL-CIO, and the key Congressional Committees. An earlier letter by SBA and one by OMB strongly opposed the amendment and

on September 7 Stu sent a letter to Senators Bartlett, Baker, Curtis, Dole, Hayakawa, Wallop and Church. It appears at this point that the conferees are likely to settle on a Nelson-Haskell compromise which is more acceptable.

15.            APPROPRIATIONS

--Enrolled: Military construction, District of Columbia, 1978 Supplemental.

--To Be Enrolled This Week: Public Works.

--In Conference: Interior and Agriculture. As I indicated last week, Jim McIntyre sent strong letters on each to the conferees. Both conferences will meet on Tuesday.

--Ready for Senate Action: Labor-HEW; Senator Brooke has requested it be held until after September 19.

FOREIGN POLICY ISSUES

1.            DOD AUTHORIZATION BILL

--The staff of the Senate Armed Services Committee has indicated that they may hold a hearing as early as Tuesday with Harold Brown as the lead witness.

--Senator Stennis does not have full agreement in his Committee on the new bill. Gary Hart has been working to drum up support to add a Kennedy-class conventionally powered carrier.

--It is uncertain what approach Mel Price will take. He was to meet with John Stennis on Friday. Stennis will probably urge the HASC to adopt his proposal to remove only the nuclear carrier. Price tentatively set hearings for Wednesday.

2.            FOREIGN AID APPROPRIATIONS

--The Inouye Subcommittee of the Senate Appropriations Committee is scheduled to mark up the Foreign Assistance bill on Tuesday. The full Committee is expected to act on Thursday. Floor action could come sometime during the week of September 18-22.

--Last week the Budget Conference for the Second Concurrent Budget resolution adopted the higher Senate figures allowing from \$250-\$275 million in increases over the House-passed level. (AID conferred with Chairman Giaimo and also worked closely with Congressman Obey to have the Senate level adopted, and it was in great part due to Obey's efforts that the Conference Committee agreed to do so.)

--Now, we are not at all certain that Inouye's Subcommittee will be willing to go as high as the Budget Resolution will permit. Chairman Magnuson and Inouye's ranking Minority Member, Schweiker, both voted for Harry Byrd's \$2.4 billion cut in the International Affairs function when the Budget Resolution was on the floor this week.

--The State Department sees urgent requirements which must be met by the Inouye Subcommittee, the largest of which are the following:

Economic Support Assistance for Turkey as part of the embargo-lifting package.  
Budget amendment submitted. Funds not included in House appropriation because authorization incomplete. \$50 million

Economic Supporting Assistance for Syria.  
Administration request defeated by House. \$90 million

Minimal acceptable restoration of House cuts in Security Assistance programs. \$45 million.

#### MISCELLANEOUS

--The opponents of the Public Works Appropriations Bill are already working very hard to override an anticipated veto of the bill. Before making a decision we strongly recommend you meet w/appropriate House leaders on water projects fight to further discuss the outcome of such an attempt. Congressmen Derrick, Conte and Edgar are quietly working the House to sustain the veto.

--Minimum Wage: Senator Tower has announced his intention to try to amend whatever legislation he can find to postpone the minimum wage increase scheduled to take effect on January 1, 1979. It is possible that he will move such an amendment on the Humphrey-Hawkins bill. He has notified both the Republican and Democratic cloakrooms that he will give 24 hours warning of his action.

--DOL feels that "the Administration must -- at all costs -- oppose this effort. If we do not work our hardest to stop this amendment, we will suffer an irretrievable political loss."

FLOOR ACTIVITIES, WEEK OF SEPTEMBER 11

House

Monday

H.R. 11280, Civil Service Reform Act (To Completion)

H.R. 11622, Fuels Transportation Safety Amendments

H.R. 8729, Airport and Aircraft Noise Reduction Act

Tuesday

Suspensions:

H.R. 12860, Rhode Island Indian Land Claims Settlement

H.R. 13311, Ports and Waterways Safety Amendments

H.R. 12026, Indian Peaks Wilderness Area

H.R. 12578, Miscellaneous Revenue Act of 1978

H.R. 12165, Extend Duty Suspension on Waste and Scrap  
Metals

H.R. 5265, Temporary Duty Suspension on Fluorspar

H.J. Res. \_\_\_, Concurring in Senate Amendments to H.R. 1337

H.R. 13331, U.S. Code Amendments for Federal District Courts

H.R. 12005, Justice Department Authorizations

H.R. 9214, International Monetary Fund

Wednesday, Thursday and Friday

Conference Report on H. Con. Res. 683 - Second Budget  
Resolution

H. Res. \_\_\_, Executive Reorganization Plan No. 3

H.R. 12611, Air Service Improvement Act of 1978

H.R. 11733, Surface Transportation Assistance Act of 1978

H.R. 1, Ethics in Government Act

H.R. 12452, CETA Amendments

## Senate

### Monday

The Senate will reconvene at 11:00 a.m. Pending on Monday is the Natural Gas Conference Report. Roll call votes could occur at any time throughout the day on Monday in relation to the Natural Gas Conference Report and a late session is also expected on Monday.



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

*Stu-  
info-  
Don't let us get  
committed to  
sign any  
bill  
J*

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Progress of the Tax Bill

The Senate Finance Committee has begun mark-up on the tax bill and we are working closely with them to maximize the chances that a decent bill will eventually emerge from the Congress. I am spending a good bit of my time with Senator Long and other members of the Committee on this issue and my staff is equally heavily involved at their level.

Contrary to the fears that we have all had, the prospects for the Bill are actually improving at the moment (see the enclosed newspaper reports). Here is a brief status report.

1. Size of Cut. The House Bill was about \$1-1/2 billion below the amount we had asked for. The Senate will be enlarging that but Russell Long agrees that the increase has to be within the Senate Budget Resolution. I estimate that they will add about \$4 billion in cuts to the House Bill -- putting it some \$2-3 billion above our desired figure. The Senate-House Conference will allow us to remove this at least a bit. The size of the final bill should, therefore, be roughly in the area of what we want. We are working hard to avoid a situation involving literal compliance with the Budget Resolution, but actual inflation of the Bill through flim-flam revenue estimates of feedback and deferral of effective dates to later years.

2. Individual Cuts. One of our main complaints about the House Bill was that the individual cuts did not provide sufficient relief to taxpayers below \$50,000. Russell Long has agreed with us that this needs to be remedied and there is general support for it on his Committee. By improving the earned income credit, we will be able to take care of the lowest income levels (up to \$9-10,000) and we are also working out an approach to distribute more cuts for people in the next higher brackets (i.e. at \$10,000, \$20,000, and \$30,000). These improvements will account for the major additional cost of the Senate's Bill over the House version.

3. Simplification. I have emphasized to the Senate members that we need more reforms, to simplify and to increase equity. There is some chance that we will score modest additional successes in this area. For example, the complication on the tax forms of both an exemption and a credit may be eliminated, although I think it is more likely that it will be all exemption rather than all credit. There is also a small chance that we can add the elimination of sales and property tax deductions to what the House has already agreed to on gasoline tax deductions.

4. Other Reforms. I am pushing hard for the Senate's picking up at least some of our requests for expense account deduction elimination. We have no chance on meals, but we may just succeed in adding elimination of the deductibility of expenses for yachts and country clubs which would be a limited, though symbolic, and hence not insignificant, victory.

5. Capital Gains. Russell Long is attempting to make the capital gains tax reductions more palatable by combining them with improvements in the minimum tax as well as in capital gains at death. If we are in any way successful in this area--and I have told him this is essential if the Bill is to be acceptable to you--we may come away with a Bill that is better than we were asking for under the narrowly defeated Corman-Fisher compromise in the House. I think the Senate will present us here with a package deal that involves elimination of indexing, but an across the board reduction in the rate of taxation on capital gains coupled with a real alternative minimum tax and possibly some improvements in the taxation on capital gains at death. If we can achieve major improvements in the latter, we will have accomplished something that previous Administrations have tried and failed to do for a decade and a half. There will be a major fight here and I will keep you informed as things progress.

6. Business Taxes. There may be an effort to increase the corporate tax cut from 2 percentage points back to the 4 percentage points we originally proposed along with more liberal depreciation. I am taking the position that changes in taxation of capital income--corporate rates, cost recovery allowances and capital gains taxation--must be priced at a reasonable total revenue cost.



Given the open rules of the Senate, there will, no doubt, be lots of individual smaller provisions which will be voted in the Committee and on the floor. These will be intended to serve special interests and many of those will be opposed by us. It is traditional that this happens with a Senate Tax Bill. It is equally traditional that enough of these provisions are then dropped in the House-Senate Conference.

In summary, I am strongly emphasizing the need for a Bill that (1) does not exceed significantly the amount of revenue loss that we have requested; (2) improves progressivity and equity; (3) cuts capital gains taxes in a way that is fair to all; and (4) better meets your goals of reform than does the House Bill. We won't know until the end whether we will be successful in achieving these objectives but at the moment the chances have improved.

A handwritten signature in dark ink, appearing to read "Mike", is positioned above the printed name.

W. Michael Blumenthal

Attachments

# Senate Likely to Gear Its Tax Cuts Toward Low, Middle Incomes

By Lee M. Cohn  
Washington Star Staff Writer

The Senate will spread tax relief more broadly than the House, Senate sources predict.

As the Senate Finance Committee started drafting its bill today, sources said the House version will be revised to give bigger tax cuts to families with low and moderate incomes.

They said the Senate probably will also act to cut capital gains taxes for a wider range of individuals than would benefit from the bill passed by the House last month.

By broadening tax relief the Senate may make the legislation more acceptable to President Carter, who has objected that the House bill favors millionaires and offers little to average families. However, the Senate bill still is expected to bear little resemblance to the president's recommendations.

Although nothing has been settled, comments by Chairman Russell B. Long, D-La., and other finance committee members offer guidance on the Senate's likely approach.

**FOR MANY YEARS**, Congress has tilted tax cuts to favor individuals in low-income and middle-income brackets. The House bill is more generous to those with incomes over \$50,000.

The Senate committee is expected to retain big tax cuts for the high-income brackets and also provide additional reductions for those lower on the ladder.

For wage-earners with very low incomes the committee probably will enlarge the earned income credit, also known as the work bonus. For middle-income persons, extra reductions in tax rates probably will be provided.

The House bill lowers the maximum tax on capital gains from a potential 49 percent to 35 percent. This would not directly benefit those with small capital gains who are taxed far below the maximum rates.

Long is pushing a different approach, one which would cut capital gains taxes across the board in all brackets. Present law generally excludes 50 percent of capital gains

from taxation. Long wants to increase the exclusion to 60 or 70 percent.

**LONG'S FORMULA** would cut capital gains taxes more sharply than the House bill, as well as on a broader front. However, he also proposed a stiffer minimum tax to make sure no one with big capital gains could avoid paying substantial taxes.

With the tougher minimum tax, Long's capital gains plan might not cost the Treasury much more revenue than the House bill.

Further more, Long wants to change the method for estimating revenue costs to take account of "economic feedback." That is, he wants fuller recognition of the likelihood that tax cuts will boost economic activity — increasing taxable income and so offsetting some of the

Treasury's initial revenue losses.

If tax reductions were viewed as less costly, Congress might vote for bigger tax cuts without worrying so much about enlarging budget deficits.

Treasury revenue estimates allow for some economic feedback. Adoption of Long's ideas on revenue estimating might help overcome objections to big cuts in capital gains taxes, but it would not significantly affect the arguments on other provisions on the bill.

**EXTRA TAX CUTS** in low-income and middle-income brackets, without taking anything away from those in high brackets, would increase the revenue costs of the bill.

However, Long believes there is enough leeway to expand the bill and broaden tax relief without violating congressional budget targets for next fiscal year. The house bill does not cut taxes as much as the budget targets would allow.

Federal Reserve Chairman G. William Miller, testifying yesterday, warned the Senate Committee that taxes cuts much bigger than the House passed might worsen inflation.

Miller also suggested postponing Social Security tax increases scheduled for next year, substituting this form of tax relief for a portion of planned income tax cuts.

SEP 8 1978 The Washington Post

## Long Would Change Tax Bill In Effort to Please Carter

By Art Pine  
Washington Post Staff Writer

Sen. Russell B. Long (D-La.), chairman of the Senate Finance Committee, proposed yesterday broadening the House-passed tax bill to give almost \$2 billion more in relief to low-income families, in an effort to make the measure more acceptable to President Carter and liberal critics.

Long suggested providing the extra tax cuts by increasing the earned income credit or "work bonus" now allowed poor families to a maximum of \$600, up from the present \$400. He also proposed denying the tax benefit to welfare recipients.

The Louisiana senator proposed the move in part to offset criticism that the House bill would skew the tax cuts too heavily toward upper-middle-income and wealthy families, at the expense of those at the lower end of the income scale. The panel will vote on the plan today.

The committee also is expected to enlarge the reductions in tax rates for middle-income persons contained in the House measure, and retain the big tax breaks for high-income taxpayers. Long reiterated yesterday he wants to broaden the cuts in capital gains taxes.

His disclosures came as the committee began its first day of formal drafting on the tax bill. The panel is scheduled to vote this morning on providing tax cuts for individuals, and work steadily through the House measure with a goal of finishing work Sept. 18.

If the committee maintains that schedule, it could push the bill through the Senate in time to send the tax measure to President Carter just before Congress adjourns for the fall election campaign. However, most observers expect some slippage in the schedule.

In an unusual move, Long also appealed to panel members not to propose amendments designed to benefit

a single person or firm—an effort to escape the traditional criticism that the committee is fashioning a "Christmas-tree" bill for special interests.

Long asserted he was surprised when newspaper accounts two weeks ago uncovered that the panel had approved one provision that would have provided special tax relief to William H. Sullivan, the owner of the New England Patriots football team. The measure has been proposed annually since 1976.

Long urged panel members to save such legislation for separate bills, and not try to tack it onto the omnibus tax bill. He said Congress ought to send Carter a tax bill that deals with broad tax issues only, so that "if he wants to veto it he can veto it."

The proposal to increase the earned income credit would benefit low-income families with children in cases where one or more parents were working. The earned income credit was enacted in 1976 to help offset payroll tax increases for the working poor.

At present, families in that category may reduce their total taxes by 10 per cent of their first \$4,000 in earnings, to a maximum of \$400. The credit tapers off gradually for families with incomes of more than \$4,000. It disappears entirely for those earning \$8,000 or more.

Long's proposal would increase this maximum to \$800, and in return reduce the size of the credit more rapidly as incomes exceed the \$4,000 level. It also would deny benefits to workers who receive welfare benefits—a move Long said was intended as a spur to "get off welfare."

The proposal would provide some \$1.8 billion in tax relief for low-income families not contained in the House version of the bill. Long also has endorsed a House-passed plan to increase tax credits for businesses that hire hard-to-employ youths.

Except for the disclosure of Long's proposal, the panel spent most of its opening day of drafting yesterday discussing the provisions of the House-passed bill and techniques for estimating the cost of tax-reduction measures.

Long has served notice he wants to revise estimating techniques to account for the economic impact of specific tax proposals, in part as a way to reduce the official "cost" of the provisions aimed at cutting capital gains taxes. Capital gains are profits from the sale of stocks or other assets.

The House approved a complex proposal that would slash the maximum tax rate for capital gains, paid only by a handful of high-income investors, to 35 per cent, from the present 49.1 per cent, primarily by revamping the "minimum tax" now assessed wealthy taxpayers.

However, Long is proposing reviving a Kennedy administration measure that would simply reduce the portion of a capital gain that is subject to the income tax. Today, half a capital gain is included as taxable income. Long would reduce this to 30 per cent.

SEP 8 1978 THE WALL STREET JOURNAL

## Senate Finance Chairman Is Attempting To Meet Carter's Objections to Tax Bill

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—Chairman Russell Long of the Senate Finance Committee began trying to meet some of President Carter's objections to the tax bill.

As the Senate committee began work on its version of the bill, Chairman Long announced that he will seek a more generous earned-income credit for the working poor. The changes the Louisiana Democrat plans to propose would fatten the House-passed tax cut by \$1.8 billion next year, all of the money going to low-income people, who President Carter says were short-changed by the House.

Sen. Long also announced, to the consternation of the score of lobbyists present, that he hopes to keep the tax bill free of the kind of "special-interest" provisions that usually adorn tax bills when they emerge from the Senate. "I would hope that on this bill we would keep off amendments that would benefit a single taxpayer," he declared.

Keeping the bill clean of special-interest tax breaks would deny Mr. Carter another excuse, if he wanted one, for vetoing the tax bill. The President warned last month that he might veto the bill, unless Congress corrects "some of the basic errors" the House made in passing its version. But aside from one section that would benefit two Arkansas chicken farms, the House bill is apparently free of special-interest provisions.

But this practice earned him so much unfavorable publicity in 1976 that he had to withdraw a large number of special-interest provisions from that year's tax bill after it had reached the Senate floor. And last month, the Finance Committee received some press attention for, among other things, approving

### Changes Sought

Treasury Secretary Michael Blumenthal has explained the kind of changes Mr. Carter would like to see in the bill: A drastic reduction in capital-gains relief, largely by deleting a House-passed provision to "index" gains for inflation and a transfer of some of the overall tax relief from individual taxpayers making more than \$50,000 to those making less than \$20,000.

Chairman Long didn't say anything yesterday about taking from the over-\$50,000 crowd. But he did talk about giving to lower income people. He said he hopes to offset, "for the rank and file," next year's scheduled increase in Social Security taxes. He also said he wants to offset the tax increases individuals will experience between 1978 and 1979 as inflation pushes them into higher tax brackets.

To do both would require a tax cut for individuals of about \$1.2 billion next year, according to congressional staff estimates. The House-passed bill contains \$10.4 billion of individual tax relief.

### Earned Income Credit

The changes Sen. Long apparently has in mind for the earned income credit would benefit certain taxpayers making less than \$8,000 a year. Under current law, a taxpayer gets a credit of 10% of the first \$4,000 of

a bill that would benefit only the owner of the New England Patriots football team.

Yesterday, Sen. Long disclaimed any authorship of that bill. "I didn't know the first thing about that matter," he said.

The Finance Committee chairman received some support for his no-special-inter-

ested income, if he supports at least one child. The credit is phased out at incomes between \$4,000 and \$8,000.

Sen. Long said he'd like to make it 10% of the first \$5,000 but phase out the credit "more sharply" at higher income levels. That would give the tax bill "better balance" than it has at present, he said.

But Sen. Long and his colleagues have a limited amount of money to use in fattening benefits for those toward the lower end of the income scale. The limits are imposed by the budget resolution Congress is in the process of adopting for fiscal 1979, which starts Oct. 1.

Sen. Long and several other committee members indicated, however, that they'll try to stretch those limits by assuming more revenue "feedback" from tax cuts than government economists have usually assumed. "If this is something we think is going to move the economy and generate more revenues, we ought to so estimate," Sen. Long said.

### Calculated Risk

In forswearing special-interest provisions on the big tax bill, Sen. Long is taking a calculated risk. In past years, he has accepted many such amendments, offered both in the Finance Committee and on the Senate floor, in return for votes when he needed them.

ests pledge from the minority side of the aisle. Sen. Carl Curtis of Nebraska, the panel's senior Republican, said that while particular taxpayers often deserve relief, he didn't want to "impede important national legislation" with narrowly drawn provisions.

THE WHITE HOUSE  
WASHINGTON

September 14, 1978

Stu Eizenstat

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

ACTION  
FYI

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION

ADMIN CONFIDENTIAL
CONFIDENTIAL
SECRET
EYES ONLY

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

ARAGON
BUTLER
H. CARTER
CLOUGH
CRUIKSHANK
FALLOWS
FIRST LADY
GAMMILL
HARDEN
HUTCHESON
LINDER
MARTIN
MOE
PETERSON
PETTIGREW
PRESS
SANDERS
VOORDE
WARREN
WISE

Priority  
PRECEDENCE

Unclass  
CLASSIFICATION

FROM: *Rick Hutcheson*  
TO: *Susan Clough*  
*Camp David*

INFO:

RELEASED BY:

*JB*

FOR COMMCENTER USE ONLY

DEX \_\_\_\_\_

(DAC) 163

GPS \_\_\_\_\_

LDX \_\_\_\_\_

PAGES 2

TTY \_\_\_\_\_

CITE \_\_\_\_\_

DTG: *142205Z MD*

TOR: *142216 Z. 8P 78*

SPECIAL INSTRUCTIONS:


*Deliver at earliest possible  
opportunity. Interrupt no meetings.*

1978 SEP 14 22 05

THE WHITE HOUSE  
WASHINGTON

9/14/78

TO: SUSAN CLOUGH  
FROM: RICK HUTCHESON



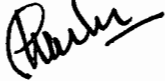
I understand that Zbig has with him the memos mentioned in Charlie Warren's attached memo.

If for some reason the President has to make this decision immediately, please make sure that CEQ's memo accompanies the package. Thanks.

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

September 13, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren 

SUBJECT: Request for Guidance on Approving Retransfer for Reprocessing  
of U.S.-Origin Spent Fuel

We have read the memorandum from Dr. Brzezinski to you concerning the Department of State request for guidance in the matter of approval of retransfer for reprocessing of 29 tons of U.S.-origin spent fuel by Kansai Electric Power Company of Japan. We fully concur with the position taken by NSC on this matter and urge their recommendations be approved. We too want to stress the importance of effectively caveating any U.S. approval in a way which neither condones or assists construction of the new COGEMA (UP-3) Purex reprocessing plant nor sets a precedent for future MB-10 requests which is prejudicial to our policy of seeking the deferral of reprocessing of spent nuclear fuel especially in facilities of the kind at La Hague or the proposed expansion at Windscale.

We also concur in the NSC recommendation that a more definitive U.S. policy on MB-10 requests be developed promptly and we are prepared to assist NSC and State fully in that effort.

Finally, we wish to take strong exception to a specific proposal contained in the Department of State memorandum, namely that U.S. government consideration of "public discontent" in a foreign country (on matters relating to nuclear power) is a proper basis for a determination of "need". Internal considerations of this sort are and should be the proper concern of the Government of Japan, to be dealt with by them as they formulate their national plans for spent fuel storage. Moreover, such consideration would lay open the door for numerous future requests because public discontent with nuclear power exists to some extent in virtually every country in the world which engages in nuclear trade with the U.S.